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IMPACT OF SOCIAL SECURITY REFORM/
FEDERAL RETIREMENT PROPOSALS ON THE
CENTRAL INTELLIGENCE AGENCY

Social Security Reform

The report of the National Commission on Social Security Reform which will form the basis for Congressional action early in the 98th Congress recommends that Social Security coverage be extended on a mandatory basis as of 1 January 1984 to all newly hired civilian employees of the federal government. The implication of this provision is that the Civil Service Retirement System and special federal retirement systems such as the CIA Retirement and Disability System will continue to exist only for individuals who entered government service prior to 1 January 1984. In time, and when the last beneficiary of these retirement systems dies, these systems will disappear.

Changes to the Civil Service Retirement Act

The President's fiscal year 1984 budget recommends a number of changes in federal employee retirement and disability programs. Probably the most significant of these would raise the retirement age for an annuity without reduction from age 55 to age 65 phased in over a period of ten years. Retirements would be permitted at earlier ages but employees who so retire would have their annuities reduced by five percent for each year they are under the prescribed age at the time of retirement; e.g., age 56 in 1984, age 57 in 1985, and so on. In ten years the age would be 65. Employees who are age 55 at the time of enactment will not be affected. The Office of Management and Budget already has indicated that the Administration will seek to raise the CIARDS retirement age from 50 to 60 with the same five percent per year penalty for early retirement. The overall thrust of all of the retirement changes is that employees will have to pay more for less attractive annuities and will have to work longer in order to qualify for retirement without reduction.

Comment

The impact of the Social Security reform/federal retirement proposals will be particularly heavy and adverse for the Central Intelligence Agency.

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a. There are currently [] employees eligible for voluntary retirement under the CSRA; of these [] hold an SIS rank from 1 through 6. [] CIARDS participants are immediately eligible for retirement; of these, [] hold the rank of SIS-1 through 6. While it is not likely, because of grandfather clauses protecting their current entitlements, that this large number of employees will opt for retirement now, there is the risk that because of general distrust of the legislative process some may choose to leave now. The result could be a disastrous loss of experienced personnel, many of whom are in key positions.

b. We believe that an even more critical loss to this Nation and the Agency would be in our extraordinarily competent and highly motivated mid-career personnel in the 35 to 50 range. Certainly, a significant part of their commitment to a career with the Agency is retirement/benefits package that the Government offers. We believe that it is this group that is hardest hit by these proposals because they realize that they will have to revise their future plans, taking into account that there will be no substitution for the severe reduction in retirement benefits that they will be required to accept by the changes. The particular problem here is that in this group of employees there is a great deal of difficulty in moving into a new career or employment position outside of the Agency except for the most competent and highly gifted individuals. It is the cream of our career staff that we will be likely to lose, a group that will be extremely difficult to replace. The devastating impact of this happening will be reflected in the long term because we will not have successors to replace the current leadership and it will take many years to replace the mid-level career group.

c. In its recruitment of the brightest young men and women to help fulfill the CIA mission, the Agency has had much to offer:

1. We promise a meaningful career in an area of vital concern to our Nation's welfare, a career which exposes them to the most sensitive of information and which allows them to make a significant contribution to the Agency's mission;

2. We assure them of continuing advancement to positions of increasing responsibility if their performance warrants it;

3. We provide the opportunity to serve a full career while permitting them, at the same time, full retirement at an age that leaves productive years to pursue other interests, such as employment in the private sector, academia or otherwise.

d. The proposed changes would force us to offer employees and those we need to recruit considerably less.

e. The proposals would change the career nature of Agency employment by dramatically lengthening the service of current Agency employees and prospective hires. The lengthening of service of Agency employees by as much as ten years would also have a devastating impact on promotions and could require the Agency to conduct reductions in force in order to permit the promotion of deserving younger officers.

f. If the CIA is to carry out its extremely important mission, and particularly if it is to assure the utmost security of our Nation's most important secrets, it cannot afford to be a short-term (3-5 years) training facility for its work force. There are a number of agencies in government which strive for a short-term work force. The U.S. Attorney's Office and the Department of Justice, as well as regulatory agencies like the FTC and the SEC, are good examples. Because of the private sector demand for people with these experiences, individuals use these agencies as a training ground. However, because of the sensitive intelligence which Agency employees come into contact with, the Agency cannot afford to have a population of short-term employees. The need for a highly motivated, extraordinarily capable career cadre able to serve a full career, i.e., 20-30 years, is an absolute necessity. It can only be achieved and maintained by providing the necessary competitive remuneration along with a retirement program similar to the one that now exists, allowing our essential careerists to commit their careers to the defense of this Nation while at the same time allowing those careerists to provide adequately for their future.

g. The proposals and objectives of OMB would cripple CIARDS for current employees and eliminate it for prospective new hires. In 1964 Congress enacted CIARDS to recognize that CIA's operational cadre, because of the special nature of their service, deserved retirement benefits significantly different from other employees. OMB plans to insert an annuity penalty reduction for early retirement which does not now exist. Such a change, as well as lengthening the age of CIARDS participants before they could retire without an annuity reduction, could destroy CIARDS as an important management tool. CIARDS has allowed the Agency to require or to permit early retirement with no penalty reduction to members of this operational cadre who can no longer serve under the strenuous and hardship circumstances required; such early retirements have provided managers promotion headroom for deserving younger officers.

h. Because of these serious concerns, we strongly urge that the Director take positive and aggressive action as recommended below.

Action Believed Necessary

For the reasons discussed above, we have recommended that the Director obtain the President's approval for an attempt to exempt CIA from the Social Security Reform Act proposals, obtain the President's approval to exempt CIA from the age and penalty changes proposed for the Civil Service Retirement Act, and request the President to instruct OMB to take no action to amend CIARDS.

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2RETIREMENT PROPOSALSI INTRODUCTION

This paper identifies serious issues for the CIA created by current efforts to revise existing retirement coverages and benefits. They could impact on all Agency employees, both in the Civil Service Retirement Act and in the CIA Retirement and Disability System, and could result in a mass exodus of Agency employees in both Systems currently eligible for retirement and seriously damage the aspirations of others not eligible. Further, the changes could radically alter the career nature of employment with CIA whereby we offer to the best we can hire an opportunity to embark on a meaningful career, with reward of continuing advancement to those who deserve it, and with the prospect for retirement at a reasonably young age for those interested in pursuing a second career later in life. The result could be a frightening loss of mid-level and younger personnel in hard-to-get categories whom the Agency struggled to find, hire, and develop as well as an inability to recruit new personnel in these same categories. Moreover, the proposals could impact on the Agency's management of its personnel as in the case of the Agency's special retirement system, CIARDS, which allows retirement as early as age 50 for those enduring special hardships associated with operational service overseas and could render CIARDS useless as a management tool for the operational cadre. The paper identifies and discusses these concerns and recommends that the Director take positive action to prevent the application of the proposed changes to the CIA.

II BACKGROUND

25X1 A. There are two significant retirement reform efforts underway which employees, including some who are now eligible for retirement, see as potentially threatening: 1. Comprehensive changes in the Civil Service Retirement Act; 2. Social Security coverage for new federal employees. Although the reforms are separate efforts, they are related. Legislation to implement the Retirement Act changes is being drafted by the Office of Management and Budget, but Congressional review is not expected before spring at the earliest. Legislation to implement Social Security reform is already being considered by the Congress; thus, an Agency position on this legislation probably will be required in advance of the time the Civil Service Retirement proposals receive Congressional action.

B. Approximately 80% of Agency personnel are covered by the Civil Service Retirement Act (CSRA). 20% are participants in the CIA Retirement and Disability System (CIARDS), which provides higher benefits for employees

S E C R E T

C. Since an understanding of the Social Security proposal impact depends on some familiarity with our present Civil Service and CIARDS systems, these are addressed first.

III PROPOSED AMENDMENTS TO THE CIVIL SERVICE RETIREMENT ACT

A. The President's budget message proposed the following major changes to the Civil Service Retirement Act:

1. Under existing law, employees who are at least age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with 5 years of service may retire voluntarily with no reduction in benefits. Involuntary retirement benefits are available to employees who are at least age 50 with 20 years of service or who have 25 years of service regardless of age; such employees have their annuities reduced by 2% for each year they are under age 55.

The retirement age for an annuity without reduction would be raised from age 55 to age 65, phased in over a period of 10 years. Retirements would be permitted at earlier ages but employees who so retire would have their annuities reduced by 5% for each year they are under the prescribed age at the time of retirement, e.g., age 56 in 1984, age 57 in 1985, and so on. In ten years the age would be 65. The reduction would not apply to persons retiring because of disability. Please note: employees 55 or over at enactment would not be affected.

2. Employees currently pay 7% of their base salary for retirement coverage.

The employee's contribution would be increased to 9% in 1984 and 11% in 1985.

3. Currently, annuity calculations are based on the employee's highest three years of salary, referred to as the "High-three."

This would change to the highest five years of salary. Please note: employees within 3 years of retirement eligibility would not be affected.

4. It is also proposed to eliminate the retiree cost-of-living adjustment for 1984, and for 1985 and thereafter to make permanent current legislation that allows only one-half cost-of-living adjustments for non-disability retirees under age 62.

5. Currently, the formula used to determine the percentage of salary that is replaced by retirement benefits is 1 1/2% of an employee's "high 3" years of salary for the first 5 years, 1 3/4% for the next 5 years and 2% for each year over 10. An employee who retires after 30 years of service would receive 56.25% of his/her "high three." The Budget suggests the possibility that this level could be lowered significantly but the specific manner in which the reduction is to occur and the timing involved

has not been specified. One figure mentioned is a flat 1 1/2% for each year of service. Thus, we are not yet able to describe accurately the annuity reduction proposed, but there could be one and it could be very significant in terms of dollar loss over current expectation.

B. Discussion

1. None of the changes are without concern to employees: they will have to pay more for less attractive annuities and will have to work longer in order to qualify for retirement without reduction. Of all the changes, the most serious to management and employees are those which raise the retirement age for an annuity without reduction to 65 and impose an annuity reduction for early retirement. These changes need particular attention.

25X1 2. Since the specific details of the proposal identified in paragraph III A 5 above are not yet known, we are unable at this time to assess accurately its impact on those Agency employees covered by the CSRA who are currently eligible to retire; they total [] Except for that uncertainty, employees in the Civil Service Retirement System age 55 and above are protected from the age 65 proposal and the 5% penalty reduction for earlier retirement; employees in the Civil Service Retirement System who are within 3 years of retirement eligibility are protected from the change from a "high 3" to a "high 5" basis for calculation. They total [] but there is some overlap with the previous category. These two "grandfather" clauses should ease the concern or minimize the possibility that the large number of Agency employees now eligible for CSRA retirement will in fact opt for retirement since their entitlements, except for increased contributions, would not be immediately affected.

25X1 3. On the other hand, employees who are not protected from the age 65, 5% penalty, and change to "high 5" proposals are immediately affected. For them, especially those who just miss out, e.g., age 54, the retirement changes--if enacted as proposed--could be demoralizing.

a. In 1982 the average of Agency employees retiring under CSRA was 56.9. (See Tab A for prior years.) Elsewhere it was 61. Thus, our CSRA employees retire well in advance of the average of retirements elsewhere in Government. Many of our employees retire early to pursue a second career in industry or in academia which adds additional income to a retirement annuity. Our fear is that many of our very sharp personnel, especially mid-level or younger analysts or certain high-tech employees, might decide to resign now rather than have to wait for age 65.

b. Lengthening the service of Agency employees by as much as 10 years, or for that matter even 5 years, over the current age 55 could have a devastating long-term impact on the promotion and assignment aspirations of our bright young men and women and would impair the ability of Agency management to move promising officers up through the ranks. (See Tab B, which shows grade levels of retirees and promotion capability created by such retirements.) The officers themselves will quickly perceive that their advancement is seriously curtailed, blocked by senior officers who must work

longer in order to qualify for unreduced retirement. One way to create the headroom would be to conduct periodic reductions in force. These have occurred rarely in the CIA; when they did the result was seriously reduced morale and many cases of disaffected employees who were let go. The current situation would be worse because under the proposal, separated employees would also suffer significant reductions in annuities.

c. For the same reasons described above, we believe that our ability to recruit new and essential personnel could be seriously impaired, particularly since today's applicants appear to be more materialistically oriented than our earlier employees.

d. Thus, while all of the retirement proposals will have some impact on employees, those concerning retirement age and penalty reductions in annuities for early retirements should receive priority focus since those directly impact on the Agency's management of its personnel.

e. OMB is drafting the necessary legislation to implement the Budget proposals. The initial soundings from the Congress are that there is little enthusiasm for these retirement changes in their present form although some downward revision of current benefits and some change in retirement eligibility can be anticipated. Our understanding is that Congressional consideration will not occur until late spring, at the earliest. Nonetheless, we believe that there should be some DCI expression of concern to the President now, so that the legislation the Administration submits to implement the Budget proposals can be tailored to our special requirements.

C. Impact of Amendments to the Civil Service Retirement Act on the CIA Retirement and Disability System

1. The Central Intelligence Agency Retirement Act of 1964 (CIARDS) was designed to assist the Agency in improving its personnel management program by authorizing the establishment of a retirement system that included early retirement provisions. In authorizing this system, the Congress attached special importance to the demanding nature of CIA positions, and also recognized the special character of overseas intelligence work. CIA does indeed have a crucial ongoing need to attract and retain a force of highly motivated careerists who are capable of being trained in unique skills. The demands of our overseas intelligence work generally require that these individuals be younger than what usually is called for in Government service. These demands include unique duties performed under difficult and sometimes dangerous conditions. The stresses and strains of uneven and uncertain hours of work, of duty in unhealthy locations, and of arduous assignments require personnel who possess a high degree of vigor, vitality, and endurance. An operational cadre with such physical and emotional characteristics is absolutely essential to the mission of the Agency. It has been demonstrated, for example, that younger officers as a group are better at recruiting agents than are older officers. Experience has taught us that the nature of certain unique types of work in CIA requires a combination of mental, physical, and psychological characteristics which are predominantly associated with the younger band of the age spectrum and have been built in as a basic and vital feature of this Agency's operational cadre management system.

2. CIARDS participants can retire at age 50 with 20 years of federal service, which includes 10 years of Agency service, and of which 5 years must be qualifying service, e.g., overseas. A CIARDS participant may be involuntarily retired with 25 years of service regardless of age; in this case there is no penalty, i.e., no reduction in annuity, for retirement below age 50. Annuities are calculated at a flat 2% of "high 3" for each year of service, or compared with the CSRA formula noted in paragraph III A 5, page 2, above:

3. The retirement proposals discussed in paragraph III, page 2 above relate directly to the Civil Service Retirement Act but OMB has informed a representative of our Office of General Counsel that it will propose changes in CIARDS bearing some direct proportion to the changes in the Civil Service Retirement Act. For example, if the retirement age without reduction for those covered by the Civil Service Retirement Act is raised to age 65 from the current age 55, OMB will expect CIARDS retirement age to rise by 10 years to age 60 from the current age 50. Furthermore, OMB has stated that it would strive to obtain reductions in annuities for each year the individual is under the voluntary retirement age along the same lines it has proposed for the Civil Service Retirement age. Since there is no provision in CIARDS for a reduction in annuity for any kind of retirement, voluntary or involuntary, and regardless of the age at retirement, this would be a major revision to CIARDS and would remove the most important feature of our System; it could render CIARDS useless as a management tool for reasons discussed in paragraph 1 above. The increase in retirement contributions, the change from a "high 3" to a "high 5" basis for calculating annuities, the ultimate reduction in total annuity, and the cost-of-living changes will be applied as well to CIARDS.

4. The average age of CIARDS retirements in FY 82 was 52.8. (See Tab A for prior years.) The early retirement features (lower age with no penalty) of CIARDS as well as the higher annuity (flat 2%) benefits payable have been an important, indeed essential, incentive for employees to serve overseas. Since, as noted above, in enacting CIARDS Congress recognized that service performed by the Agency's operational cadre is special enough to warrant retirement benefits significantly different from employees covered by the Civil Service Retirement Act, we believe that every effort must be made to preserve CIARDS as it is.

5. In paragraph III B 2 above, page 3, we noted that employees age 55 and those within 3 years of retirement eligibility would be "grandfathered" from the age, penalty, and "high 5" proposed changes in the Civil Service Retirement Act. Similar grandfather clauses should be obtained for CIARDS as is proposed for CSRA, else we can anticipate that most, if not all, current CIARDS participants eligible for retirement to opt for retirement. There are 723 CIARDS participants eligible for voluntary retirement. Of those 236 are age 55 and above; 487 are age 50-54, and this is the group that needs to be "grandfathered."

D. Recommendations

1. That the DCI report to the President that the proposed age and penalty changes to the Civil Service Retirement Act present serious management concerns.

2. Because of these concerns, that the DCI request the President to instruct OMB to exempt CIA from the proposed age and penalty amendments and

3. That the DCI request the President to instruct the D/OMB to take no action to amend CIARDS.

IV SOCIAL SECURITY REFORM

A. The second effort underway is a comprehensive amendment of the Social Security System to implement the consensus recommendation of the National Commission on Social Security Reform. Legislation has already been submitted and hearings are underway. We understand that the House plans to complete its work on the Bill by the Easter recess.

1. The concern to the Agency is a provision to bring all new hires to the federal work force after 1 January 1984 under the provision of the Social Security Act, as it will be amended, and not under the CSRA as is now the case. In addition, the National Commission on Social Security Reform has suggested an accompanying program referred to as a supplemental retirement plan for these new hires. Specific details of this supplemental plan are not available now but we have learned that the Office of Personnel Management is working on such a plan. We have recommended below a course of action to resolve our concerns on this proposal. Failing this, our hope is that we can use the Director's authority to develop a supplemental plan covering both categories of Agency employees, i.e., CSRA and CIARDS, and to do so in such a way as to distinguish the benefits.

2. The concerns expressed above with respect to a retirement age of 65 and penalty of earlier retirement apply equally under this proposal since no new hires after 1 January 1984 would be eligible for Social Security benefits until age 65, or with reduced benefits at age 62.

3. Although both the existing CSRA coverage and CIARDS coverage are of concern, the more pressing concern is that CIARDS, the Agency's preferred retirement system for selected personnel, would gradually disappear, as participants who entered CIA prior to 1 January 1984, or their survivors, die. Social Security coverage and the as yet undefined supplemental plan are intended to replace all currently existing federal retirement systems, including the preferred systems, for employees entering the federal work force subsequent to 1 January 1984.

4. We believe that a strong effort should be made for recognition of CIA's management concerns that flow from any change in existing retirement benefits and eligibility, especially age, and to preserve the distinction, in whatever form, between CIA's overseas cadre and other Agency and Federal employees. To achieve these objectives, there is a range of possible options:

a. An outright exemption from the provisions of the Social Security Reform Act for CIA employees, allowing us to maintain the same coverage we now have, i.e., both Civil Service type retirement for approximately 80% of our people and CIARDS for the remainder.

b. An alternative to the explicit exemption for CIA personnel would be enactment of a provision that would give the President the right to exempt classes of employees or Agencies in the National Defense and Foreign Affairs area. This option would not only protect the interests of the CIA but also those of others in the Intelligence Community who may be similarly concerned about the impact on their personnel. At the present time, the Foreign Service Retirement System provides benefits approximately the same as CIARDS. FBI, law enforcement personnel, and air traffic controllers receive preferred retirement benefits under the provisions of the CSRA. These and other groups might be included in any designation by the President. (This is easier politically but we are speaking of the preservation of Agency uniqueness and address in this paper the Director, CIA, not the Community DCI.)

c. Another option would be to amend the CIA Retirement and Disability System in such a way as to cover all Agency employees but with two forms of coverage: CSRA and CIARDS. We would have one system, CIARDS, but two sets of benefits equivalent to CSRA and CIARDS. This would permit the Agency to provide CIARDS-type coverage to employees who qualify without concerns of funding, Social Security credit implications, etc. (This, to a considerable extent, is what many outsiders think the CIA Retirement System is now.)

d. Failing any success in exempting CIA personnel from the Social Security Reform provision, we will have to try to ensure that the "supplemental retirement plan" referred to above provides the necessary distinction for the Agency's operational cadre; by this, we mean the development of two supplemental systems for the Agency with the higher benefit accruing to those normally eligible for CIARDS benefits.

B. The Social Security reforms are now being considered by the Congress. We believe, therefore, that of the two reform efforts underway this is the one that needs the Director's immediate attention. We understand that State has also undertaken a study of the implications of the Social Security Reform Act on its Foreign Service Retirement System.

C. Recommendation

That the DCI obtain the President's approval and commitment for an Administration initiative aimed at securing outright exemption for CIA from the Social Security Reform Act and preservation of CIARDS in its present form.

Average Age of Retirees

<u>Year</u> ¹	<u>CIARDS</u>	<u>Civil Service</u>	<u>Combined</u>
1967	55.1	57.1	57.0
1968	54.3	56.6	56.5
1969	54.4	57.3	55.9
1970	54.9	56.7	56.3
1971	53.2	56.5	55.1
1972	52.7	55.9	54.6
1973	53.3	55.3	54.3
1974	51.7	54.5	53.3
1975	51.8	54.3	52.8
1976	51.0	53.9	52.2
1977	52.0	55.0	53.2
1978	51.4	54.6	52.6
7/1/78 - 9/30/78	52.8	54.8	53.7
1979	52.3	54.7	53.4
1980	53.1	57.1	54.8
1981	53.3	57.5	55.3
1982	52.8	56.9	54.7

1. Year ending 30 June through 1978, 30 September thereafter.

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Impact of Social Security Reform Proposals on the Central Intelligence Agency

-- Current congressional action based on the report of the National Commission on Social Security Reform appears certain to mandate Social Security coverage for all civilian employees of the federal government entering on duty subsequent to 1 January 1984. The implication of this provision is that the Civil Service Retirement System, and special federal retirement systems such as the Central Intelligence Agency Retirement and Disability System (CIARDS), will continue to exist only for individuals who entered government service prior to 1 January 1984.

-- We are supportive of the need to cut government costs and reform the Social Security system, but we believe that, in implementing these objectives, care must be taken to ensure that other extremely important government programs are not damaged.

-- The impact of Social Security coverage for all new employees would be particularly heavy and adverse for the Central Intelligence Agency.

--The Agency must recruit and retain a highly motivated corps of careerists in both its operational and analytical ranks. It is absolutely essential that CIA have a retirement program that can attract the calibre of personnel that the Agency must have in order to successfully accomplish its vital mission.

-- The retirement opportunities available under the Civil Service Retirement System and CIARDS have served as key incentives for the choice of a career with the Central Intelligence Agency.

-- Approximately 20 percent of the Agency's employees are covered by CIARDS. These are mainly individuals who serve overseas, frequently under adverse and dangerous circumstances, to collect the human intelligence so necessary for informed foreign policy and defense decisions. It was in recognition of the unique physical, mental, and emotional strains inherent in this type of work, and to foster a young, vigorous cadre of individuals capable of functioning effectively under stressful circumstances, that the CIA's special retirement system was established.

-- The Agency's ability to offer upward mobility to outstanding operations officers, and to keep the ranks filled with individuals possessing the physical and emotional characteristics essential for success in arduous assignments has depended directly upon an ability to take advantage of an officer's most productive years and then offer a respectable retirement income through a special retirement system featuring relatively early retirement opportunities. Termination of the ability to offer the operational cadre retirement with full benefits at age 50 would have a devastating long-term impact on the Clandestine Service.

-- The problems which the proposal to put all new federal employees under Social Security pose for the CIA are not limited to CIARDS. There are many facets of intelligence work which are equally as important as the efforts of our officers collecting human intelligence overseas, and these require us to have employees who embody the best expertise in numerous skills and diverse fields of study. It is especially critical for our nation's intelligence apparatus to be at the leading edge of the state of the art in scientific and technological areas. To do this, ~~it is essential to attract and retain the best talent, which means intense competition with the private sector, where higher salaries invariably are available.~~ The Civil Service Retirement System has been a key factor in our ~~ability to attract and retain the kind of talent that is critical to the maintenance of national security.~~

-- It is essential that our analytical and support personnel, as well as our operational cadre, be intelligence careerists. ~~The portability of benefits that will be created by universal Social Security coverage will foster the attitude that government service is a convenient training ground in which an individual can increase his potential worth to private sector employers.~~ Increased turnover in the ranks of intelligence personnel clearly will make it increasingly difficult to safeguard sensitive national security information.

-- Another security concern involves the Social Security Administration data base. This data base is designed and programmed to maintain account records for individuals and their employers, but it also serves as an informational source for a wide array of reports and studies relative to the work force. Inclusion of CIA personnel in this data base, whether they are overt, covert, or potentially covert, poses severe security risks, particularly in terms of the protection of the identities of individuals under cover, and with respect to access by unauthorized persons to complete listings of all CIA personnel.

-- Application of Social Security coverage to CIA employees entering on duty subsequent to 1 January 1984 would be inconsistent with efforts to enhance the intelligence capabilities of the United States. Retirement benefits must be seen as program costs that are integral to the intelligence revitalization program. Disincentives in the personnel area will ultimately be fatal to this program no matter how great the resources devoted to its other aspects.

-- In sum Social Security coverage for new CIA personnel would result in:

- Loss of the necessary ability to attract and maintain a cadre of personnel dedicated to a lifetime intelligence career, with the result being a high turnover rate and a vast increase in the number of individuals exposed to the sensitive workings of an intelligence agency.
- Loss of the ability to compete with the private sector for the brightest talent in critical scientific and technological areas.
- Loss of the ability to attract and retain individuals willing to undergo the unique and serious strains inherent in intelligence work overseas.

-- For these reasons it is recommended that:

- Employees entering on duty with the Central Intelligence Agency subsequent to 1 January 1984 be covered exclusively by a retirement program essentially similar to that currently provided for Agency employees by the Civil Service Retirement System and CIARDS. This would necessitate legislation amending CIARDS to encompass all Agency employees, with different provisions and benefits for varying types of service.
- If such an exemption from Social Security coverage cannot be secured, it is urgently recommended that there be special CIA provisions, including special retirement age provisions, in the "Independent Supplemental Retirement Plan" which assumedly will complement Social Security for government employees entering on duty after 1 January 1984.

-- The concerns noted above are equally applicable to changes which have been proposed for the Civil Service and other current federal retirement programs, particularly insofar as provisions which would raise retirement ages and impose annuity penalties for "early" retirement are concerned. In addition to problems associated with recruitment of new personnel, these latter proposals could result in the loss of key senior managers and the best and brightest of the Agency's mid-career people, in both operational and analytical areas.